

**BARAGA AREA SCHOOLS  
BARAGA, MICHIGAN  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Baraga Area Schools as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major funds and the aggregate remaining fund information of the Baraga Area Schools as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the Baraga Area School's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and

should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 6 through 11 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Baraga Area Schools. Also, the accompanying schedule of expenditures of federal awards as listed under the "Compliance Section" in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Anderson, Jackman & Company, PLLC*  
Certified Public Accountants

July 29, 2005

## Baraga Area Schools

### Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Baraga Area Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 12.

#### **FINANCIAL HIGHLIGHTS**

- Net assets for Baraga Area Schools as a whole were reported at \$2,223,476, comprised of 100% governmental activities.
- During the year, Baraga Area Schools expenses were \$6,329,397, while revenues from all sources totaled \$6,152,802, resulting in a decrease in net assets of \$176,595.
- There were no significant changes in programs for the 2004-2005 fiscal year. With declining enrollment and uncertain State funding, the School District remained essentially status quo.
- The general fund reported a decrease of \$289,436 before other financing sources (uses). This is \$132,420 or 69% lower than the forecasted decrease of \$421,856. This was a result of revenues being \$57,078 higher and expenses being \$75,342 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$5,484,799 and budgeted expenditures of \$5,906,655.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Baraga Area Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Baraga Area Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net assets and changes in them. The School District's net asset - the difference between assets and liabilities - is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

## Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – Fund Financial Statements

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2005 and 2004:

**Table 1**  
**Net Assets**

	Governmental Activities – 2005	Governmental Activities – 2004
Current and other assets	\$3,161,398	\$4,254,842
Capital assets, net	3,795,983	3,501,381
Total Assets	<u>6,957,381</u>	<u>7,756,223</u>
Current liabilities	589,970	1,215,927
Long-term liabilities	4,143,935	4,140,225
Total Liabilities	<u>4,733,905</u>	<u>5,356,152</u>
Net Assets:		
Invested in capital assets, net of related debt	(349,989)	(635,317)
Restricted	42,156	66,251
Unrestricted	2,531,309	2,969,137
Total Net Assets	<u>\$ 2,223,476</u>	<u>\$2,400,071</u>

The School District's net assets were \$ 2,223,476 at June 30, 2005. Capital assets, net of related debt totaling \$(349,989), compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported

## Management's Discussion and Analysis (Unaudited) (Continued)

separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$ 2,531,309 was unrestricted.

The \$ 2,531,309 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Table 2  
Change in Net Assets

	Governmental Activities – 2005	Governmental Activities – 2004
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 118,049	\$ 119,574
Operating grants and contributions	1,541,882	1,376,858
Capital grants and contributions	960	550,945
General revenues:		
Property taxes	923,246	820,492
State sources not restricted to specific program	3,409,858	3,439,327
Investment earnings	49,118	68,029
Miscellaneous	109,689	73,217
Total Revenues	<u>6,152,802</u>	<u>6,448,442</u>
Program Expenses:		
Instruction	3,142,187	2,935,195
Supporting services	2,142,398	2,011,057
Payments to other governmental agencies	5,575	1,100
Facilities acquisitions	13,494	-
Food service activities	241,793	217,595
Athletic activities	125,444	116,315
Bookstore activities	429	324
Interest on retirement of debt	426,364	398,800
Depreciation – unallocated	231,713	179,476
Total Expenses	<u>6,329,397</u>	<u>5,859,862</u>
Increase (decrease) in net assets	<u>(176,595)</u>	<u>588,580</u>
Net assets, beginning	<u>2,400,071</u>	<u>1,811,491</u>
Net Assets, Ending	<u><u>\$2,223,476</u></u>	<u><u>\$2,400,071</u></u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$ 6,329,397. Certain activities were partially funded from those who benefited from the programs (\$118,049) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$1,542,842). We paid for the remaining "public benefit" portion of our governmental activities with \$923,246 in taxes, \$3,409,858 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$176,595.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of (\$463,267).
- Depreciation charged to expense of (\$231,713).
- Purchase of capital assets in the amount of \$526,315.



## Management's Discussion and Analysis (Unaudited) (Continued)

- Proceeds from debt issues in the amount of (\$195,564) and payments of principal on debt of \$186,290.
- Change in compensated absences \$1,344.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
Instruction	\$3,142,187	\$1,700,187
Supporting services	2,142,398	2,142,398
Interest on retirement of debt	426,364	426,364
Food service activities	241,793	40,857
Depreciation - Unallocated	231,713	231,713
All other expenditures	144,942	126,987
Totals	<u>\$ 6,329,397</u>	<u>\$4,668,506</u>

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$2,771,714, a decrease of \$463,267 from the beginning of the year.

The reported combined fund balance is \$2,771,714 as of June 30, 2005, which is a \$463,267 decrease from the beginning of the year. The decrease is the result of major capital outlay projects connected to our athletic complex renovation and improvements to our food service facilities.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$196,042.

Budget revenue increased by \$196,042 over the course of the fiscal year and in relation to the preliminary budget versus the final revision.

## Management's Discussion and Analysis (Unaudited) (Continued)

This occurred due to an unexpected increase in Impact Aid revenues as provided by Title VIII of ESEA in 2001. In this category revenues are projected low due to the uncertainty of the actual allocation amount each year.

- Budget expenditures were increased by \$155,123.

Budget expenditures were increased by \$155,123 due to capital outlay projects relating to our athletic complex and the kitchen facility.

Changes from the original budget should be reflected in amendments throughout the fiscal year. In the future amendments will occur on a more frequent basis.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2005, the School District had \$3,795,983 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**

	2005	2004
Land	\$ 700	\$ 700
Site improvements	818,902	-
Buildings	2,598,816	2,357,052
Equipment	245,403	301,603
Vehicles and buses	132,162	51,453
Construction-in-progress	-	790,573
Totals	<u>\$ 3,795,983</u>	<u>\$3,501,381</u>

We anticipate capital additions for the 2005-2006 fiscal year will be comparable to the 2004-2005 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

#### ***Debt***

At the end of this year, the School District had \$4,145,972 in bonds outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities – 2005	Governmental Activities – 2004
General obligation bonds	\$ 540,149	\$ 726,439
State Bond Loan Program	3,605,823	3,410,259
Totals	<u>\$4,145,972</u>	<u>\$4,136,698</u>

There were no new additions of long-term debt this year, except for refinancing of old debt through the State Bond Loan Program which amounted to \$195,564. We present more detailed information about our long-term debt in the notes to the financial statements.

## **Management's Discussion and Analysis (Unaudited) (Continued)**

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2005-2006 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2005-2006 fiscal year budget was adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. Approximately 75 percent to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2005-2006 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2004-2005 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Baraga Area Schools, 210 Lyons Street, Marquette, Michigan, 49908.

**Baraga Area Schools**  
**Statement of Net Assets**  
**June 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,483,102
Investments	743,869
Receivables:	
Accounts receivable	14,052
Delinquent property taxes	141,155
Due from other governmental units	718,404
Inventories	49,859
Prepaid expense	10,957
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	3,161,398
	<hr/>
<b>Non-current assets:</b>	
Capital assets	7,136,456
Less accumulated depreciation	(3,340,473)
	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>	3,795,983
	<hr/>
<b>TOTAL ASSETS</b>	6,957,381
	<hr/>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	72,073
Accrued liabilities	114,409
Deferred revenue	203,202
Current portion of long term debt obligations	200,286
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	589,970
	<hr/>
<b>Non-current liabilities:</b>	
Non-current portion of employee benefit obligations	198,249
Non-current portion of long term debt obligations	3,945,686
	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>	4,143,935
	<hr/>
<b>TOTAL LIABILITIES</b>	4,733,905
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	(349,989)
Restricted:	
Debt Service	42,156
Unrestricted	2,531,309
	<hr/>
<b>TOTAL NET ASSETS</b>	\$ 2,223,476
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The accompanying notes are an integral part of these financial statements.

# Baraga Area Schools

## Statement of Activities

For the Year Ended June 30, 2005

Function / Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 3,142,187	\$ -	\$ 1,442,000	\$ -
Supporting services	2,142,398	-	-	-
Payments to other governmental agencies	5,575	-	-	-
Facilities acquisitions	13,494	-	-	960
Food service activities	241,793	101,054	99,882	-
Athletic activities	125,444	16,741	-	-
Bookstore activities	429	254	-	-
Interest on retirement of debt	426,364	-	-	-
Depreciation - unallocated	231,713	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,329,397</b>	<b>118,049</b>	<b>1,541,882</b>	<b>960</b>
				<b>(4,668,506)</b>

### General revenues:

Taxes	
Property taxes, levied for general purposes	532,207
Property taxes, levied for debt services	391,039
Federal and State aid not restricted to specific purposes	
General	3,409,858
Interest and investment earnings	49,118
Miscellaneous	109,689
Transfers	-

### TOTAL GENERAL REVENUE AND TRANSFERS

(176,595)

### CHANGES IN NET ASSETS

Net Assets, July 1

2,400,071

### NET ASSETS, JUNE 30

\$ 2,223,476

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

Balance Sheet

June 30, 2005

	General Fund	Non-Major Governmental Funds	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,473,159	\$ 9,943	\$ 1,483,102
Investments	742,518	1,351	743,869
Receivables:			
Accounts receivable	14,052	-	14,052
Delinquent property taxes	88,442	52,713	141,155
Due from other governmental units	718,404	-	718,404
Inventories	47,633	2,226	49,859
Prepaid expense	10,957	-	10,957
<b>TOTAL ASSETS</b>	<b>\$ 3,095,165</b>	<b>\$ 66,233</b>	<b>\$ 3,161,398</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 72,073	\$ -	\$ 72,073
Accrued liabilities	114,409	-	114,409
Deferred revenue	188,980	14,222	203,202
<b>TOTAL LIABILITIES</b>	<b>375,462</b>	<b>14,222</b>	<b>389,684</b>
<b>FUND BALANCES:</b>			
Reserved for:			
School service activities	-	9,855	9,855
Retirement of debt	-	42,156	42,156
Unreserved:			
Undesignated	2,719,703	-	2,719,703
<b>TOTAL FUND BALANCES</b>	<b>2,719,703</b>	<b>52,011</b>	<b>2,771,714</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,095,165</b>	<b>\$ 66,233</b>	<b>\$ 3,161,398</b>

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005

Total Fund Balances for Governmental Funds	\$	2,771,714
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	7,136,456	
Accumulated depreciation	<u>(3,340,473)</u>	
		3,795,983

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	200,286	
Bonds payable - long term	3,945,686	
Employee benefits payable	<u>198,249</u>	
		(4,344,221)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>2,223,476</u>
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The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>REVENUES:</b>			
Property taxes	\$ 532,207	\$ 391,039	\$ 923,246
Federal sources	1,052,979	90,832	1,143,811
State Aid	3,798,879	9,050	3,807,929
Local sources	110,649	118,049	228,698
Interest	47,163	1,955	49,118
<b>TOTAL REVENUES</b>	<b>5,541,877</b>	<b>610,925</b>	<b>6,152,802</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction	3,143,195	-	3,143,195
Supporting services	2,256,716	-	2,256,716
Payments to other governmental agencies	5,575	-	5,575
Facilities acquisitions	425,827	-	425,827
Food service activities	-	241,793	241,793
Athletic activities	-	125,444	125,444
Bookstore activities	-	429	429
Debt Service:			
Principal	-	186,290	186,290
Interest	-	426,364	426,364
<b>TOTAL EXPENDITURES</b>	<b>5,831,313</b>	<b>980,320</b>	<b>6,811,633</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(289,436)</b>	<b>(369,395)</b>	<b>(658,831)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out)	(138,700)	138,700	-
Proceeds from sale of bonds	-	195,564	195,564
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(138,700)</b>	<b>334,264</b>	<b>195,564</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(428,136)</b>	<b>(35,131)</b>	<b>(463,267)</b>
Fund Balance, July 1	3,147,839	87,142	3,234,981
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 2,719,703</b>	<b>\$ 52,011</b>	<b>\$ 2,771,714</b>

The accompanying notes are an integral part of these financial statements.



Baraga Area Schools

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (463,267)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(231,713)	
Capital outlays - facilities acquisition	412,333	
Capital outlays - supporting services	113,982	
Capital outlays - instruction	<u>-</u>	294,602

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (195,564)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 186,290

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in sick and vacation leave - (support services)	336	
Change in sick and vacation leave- (instruction)	<u>1,008</u>	1,344

Change in Net Assets of Governmental Activities \$ (176,595)

The accompanying notes are an integral part of these financial statements.

**Baraga Area Schools**

**Fiduciary Funds**

**Statement of Fiduciary Net Assets**

**June 30, 2005**

	<u>Totals</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$          87,038</u>
<b>TOTAL ASSETS</b>	<u><u>\$          87,038</u></u>
<b>LIABILITIES:</b>	
Due to groups, organizations and activities	<u>\$          87,038</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$          87,038</u></u>

The accompanying notes are an integral part of these financial statements.

**BARAGA AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**NOTE A - THE FINANCIAL REPORTING ENTITY:**

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Baraga Area Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Baraga Area Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Baraga Area Schools are the Food Service, Athletics and Bookstore Funds.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$188,980 in the General Fund and \$14,222 in the Debt Service Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Expenses/Expenditures

#### District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

#### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

#### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE C – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2005, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$1,483,102	\$87,038	\$1,570,140
Investments	743,869	-	743,869
	<u>\$2,226,971</u>	<u>\$87,038</u>	<u>\$2,314,009</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$1,187,416 of the District's bank balance of \$1,387,416 was exposed to custodial credit risk as being uninsured and uncollateralized.

### Investments

As of June 30, 2005, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund-mutual funds	<u>\$743,869</u>	<u>\$743,869</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

## NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$662,867 due from the State of Michigan for State Aid and \$55,537 due from other governmental units for the operation of special programs and grant projects.



## NOTE E – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2005 as follows:

	Governmental Activities
Accrued wages	\$ 13,928
MESSA payable	100,481
Accrued fringes	-
Accrued interest	-
	<u>\$114,409</u>

## NOTE F – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2005, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
School Improvement Bond, Series 1998	\$ 69,154	\$ -	\$ -	\$ 69,154
1989 Refunding Bonds	252,152	-	58,923	193,229
1991 Issue – School Bond	405,133	-	127,367	277,766
State School Bond Loan Program	<u>3,410,259</u>	<u>195,564</u>	-	<u>3,605,823</u>
Subtotal	<u>4,136,698</u>	<u>195,564</u>	<u>186,290</u>	<u>4,145,972</u>
Employee Benefits – Sick and Vacation Leave	<u>199,591</u>	-	<u>1,344</u>	<u>198,249</u>
TOTAL LONG-TERM DEBT	<u>\$ 4,336,289</u>	<u>\$ 195,564</u>	<u>\$ 187,634</u>	<u>\$4,344,221</u>

### School Improvement Bonds – Series 1998 June 30, 2005

	May 15		
School Year	Interest	Principal	Total
2005-2006	\$11,082	\$24,789	\$35,871
2006-2007	2,112	5,488	7,600
2007-2008	1,850	5,750	7,600
2008-2009	1,576	6,024	7,600
2009-2010	1,289	6,311	7,600
2010-2011	989	6,611	7,600
2011-2012	674	6,926	7,600
2012-2013	<u>345</u>	<u>7,255</u>	<u>7,600</u>
Totals	<u>\$19,917</u>	<u>\$69,154</u>	<u>\$89,071</u>

The School Improvement Bonds, Series 1998 (\$108,245) dated November 24, 1998 mature annually on May 15, with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

### 1989 Refunding Bonds June 30, 2005

	May 1		
School Year	Interest	Principal	Total
2005-2006	\$123,069	\$ 51,931	\$175,000
2006-2007	116,149	43,851	160,000
2007-2008	111,716	38,284	150,000
2008-2009	103,224	31,776	135,000
2009-2010	<u>97,613</u>	<u>27,387</u>	<u>125,000</u>
Totals	<u>\$551,771</u>	<u>\$193,229</u>	<u>\$745,000</u>

**NOTE F – LONG-TERM OBLIGATIONS (Continued):**

Zero Coupon Bonds (\$556,807) dated February 29, 1989 mature annually on May 1 and bear interest at a rate of 7.00% to 7.30% per annum. Interest is paid annually on May 1 of each year.

1991 Issue – School Bond Loan Refunding Bonds June 30, 2005			
May 15			
<u>School Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$216,434	\$123,566	\$340,000
2006-2007	238,788	121,212	360,000
2007-2008	72,012	32,988	105,000
Totals	<u>\$527,234</u>	<u>\$277,766</u>	<u>\$805,000</u>

Capital Appreciation Bonds (\$679,461) dated August 29, 1991, maturing annually on May 15 with interest at a rate of 6.75% to 7.05% per annum.

State School Bond Loan Program June 30, 2005			
May 1			
<u>July 1, 2004 Balance</u>	<u>Added Interest</u>	<u>Added Principal</u>	<u>June 30, 2005</u>
<u>\$ 3,410,259</u>	<u>\$ 93,980</u>	<u>\$ 101,584</u>	<u>\$ 3,605,823</u>

The District has borrowed from the State School Bond Loan Program to apply towards maturing principal and interest payments on their serial bonds. The balance owed as of June 30, 2005 is \$3,605,823, including accrued interest.

**Debt Service Requirements**

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2005 (exclusive of employee benefits and State School Bond Loan Program) are as follows:

<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	\$200,286	\$ 350,585	\$ 550,871
2006-2007	170,551	357,049	527,600
2007-2008	77,022	185,578	262,600
2008-2009	37,800	104,800	142,600
2009-2010	33,698	98,902	132,600
2010-2011	6,611	989	7,600
2011-2012	6,926	674	7,600
2012-2013	7,255	345	7,600
Totals	<u>\$540,149</u>	<u>\$1,098,922</u>	<u>\$1,639,071</u>

**NOTE G – SICK LEAVE AND VACATION LEAVE – COMPENSATED ABSENCES:**

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment for the Universal Service Credit up to a maximum of \$32,500, upon retirement. Other non-teaching employees may accrue up to

**NOTE G – SICK LEAVE AND VACATION LEAVE – COMPENSATED ABSENCES (Continued):**

90 sick leave days, and are paid for up to 70 sick leave days upon retirement. As of June 30, 2005, the liability for sick leave, as reported in the General Long-Term Debt Account Group, is \$185,102.

A vacation liability of \$13,147 for non-teaching employees is recorded in the statement of net assets.

**NOTE H – CAPITAL ASSETS:**

Capital assets activity of the School District's governmental activities was as follows:

	Balance at <u>7/01/04</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/05</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 700	\$ -	\$ -	\$ 700
Construction-in-progress	790,573	71,430	(862,003)	-
Capital assets being depreciated:				
Site improvements	339,530	862,003	-	1,201,533
Buildings	4,616,037	340,903	-	4,956,940
Equipment	567,499	-	-	567,499
Vehicles and buses	<u>387,040</u>	<u>113,982</u>	<u>(91,238)</u>	<u>409,784</u>
Total Capital Assets	<u>6,701,379</u>	<u>1,388,318</u>	<u>(953,241)</u>	<u>7,136,456</u>
Less accumulated depreciation:				
Site improvements	(339,531)	(43,100)	-	(382,631)
Buildings	(2,258,985)	(99,139)	-	(2,358,124)
Equipment	(265,896)	(56,200)	-	(322,096)
Vehicles and buses	<u>(335,586)</u>	<u>(33,274)</u>	<u>91,238</u>	<u>(277,622)</u>
Total Accumulated Depreciation	<u>(3,199,998)</u>	<u>(231,713)</u>	<u>91,238</u>	<u>(3,340,473)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,501,381</u>	<u>\$1,156,605</u>	<u>\$(862,003)</u>	<u>\$ 3,795,983</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 231,713</u>
Total Governmental Activities Depreciation Expense	<u>\$ 231,713</u>

**NOTE I – RESERVED AND DESIGNATED FUND EQUITY:**

The School District reserves fund equities for the following funds:

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

**NOTE J – STATE REVENUE:**

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School

**NOTE J – STATE REVENUE (Continued):**

Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2004 - August 2005.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

**NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

A summary of operating transfers to/from other funds, current year expenditures during fiscal year 2005 is as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
School Lunch Fund	\$ 32,000	General Fund	\$ 138,700
Athletic Fund	106,700		
Bookstore Fund	<u>-</u>		<u>          </u>
TOTAL	<u>\$ 138,700</u>	TOTAL	<u>\$ 138,700</u>

**NOTE L – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$ 259 during fiscal 2005 in revenues and expenditures for USDA commodities.

**NOTE M – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2004 totaled \$51,990,166 (\$26,559,407 designated as Homestead and \$25,430,759 designated as Non-Homestead). The total tax levied consists of 16.6436 mills for the General Fund and 7.95 mills for debt retirement.

**NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

## **NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2004 and 14.87% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2005 was \$486,025 which consisted of \$402,214 from the School District and \$83,811 from employees electing the MIP option. These represent approximately 13% and 3% of covered payroll, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2005 was approximately \$2,947,817. The School District's total payroll was approximately \$3,032,147.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

## **NOTE O – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

**NOTE O – CONTINGENT LIABILITIES (Continued):**

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

**NOTE P – ECONOMIC DEPENDENCY:**

The School District received approximately 62 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Baraga. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

**NOTE Q – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2005:

	Excess Expenditures
General Fund:	
Instruction:	
Secondary	\$ 13,425
Summer School	1,067
Special Revenue Funds:	
Food service activities	569
Athletics	2,242
Debt Service Funds:	
Interest	227,662

## REQUIRED SUPPLEMENTAL INFORMATION

**Baraga Area Schools**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 610,117	\$ 625,805	\$ 690,019	\$ 15,688	\$ 64,214
State sources	3,668,041	3,802,317	3,798,879	134,276	(3,438)
Federal sources	1,010,599	1,056,677	1,052,979	46,078	(3,698)
<b>TOTAL REVENUES</b>	<b>5,288,757</b>	<b>5,484,799</b>	<b>5,541,877</b>	<b>196,042</b>	<b>57,078</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Programs	2,633,758	2,503,710	2,505,001	130,048	(1,291)
Added Needs	774,317	633,378	628,795	140,939	4,583
Adult/Continuing education	-	9,408	9,399	(9,408)	9
<b>Total Instruction</b>	<b>3,408,075</b>	<b>3,146,496</b>	<b>3,143,195</b>	<b>261,579</b>	<b>3,301</b>
<b>Supporting Services:</b>					
Pupil services	125,722	338,822	336,005	(213,100)	2,817
Instructional staff	128,770	197,190	195,498	(68,420)	1,692
Administration	402,136	534,823	516,479	(132,687)	18,344
Business services	50,783	98,104	97,275	(47,321)	829
Operation and maintenance	1,623,546	1,145,749	1,111,459	477,797	34,290
<b>Total Supporting Services</b>	<b>2,330,957</b>	<b>2,314,688</b>	<b>2,256,716</b>	<b>16,269</b>	<b>57,972</b>
<b>Payments to Other Governmental Agencies</b>					
Other	12,500	18,155	5,575	(5,655)	12,580
<b>Total Payments to Other Government Agencies</b>	<b>12,500</b>	<b>18,155</b>	<b>5,575</b>	<b>(5,655)</b>	<b>12,580</b>
<b>Facilities Acquisition</b>					
Capital Outlay	-	427,316	425,827	(427,316)	1,489
<b>Total Facilities Acquisition</b>	<b>-</b>	<b>427,316</b>	<b>425,827</b>	<b>(427,316)</b>	<b>1,489</b>
<b>TOTAL EXPENDITURES</b>	<b>5,751,532</b>	<b>5,906,655</b>	<b>5,831,313</b>	<b>(155,123)</b>	<b>75,342</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(462,775)</b>	<b>(421,856)</b>	<b>(289,436)</b>	<b>40,919</b>	<b>132,420</b>
<b>OTHER FINANCING SOURCES</b>					
Transfers out	(144,375)	(138,800)	(138,700)	5,575	100
<b>NET CHANGE IN FUND BALANCE</b>	<b>(607,150)</b>	<b>(560,656)</b>	<b>(428,136)</b>	<b>46,494</b>	<b>132,520</b>
Fund Balance, July 1	3,147,839	3,147,839	3,147,839	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 2,540,689</b>	<b>\$ 2,587,183</b>	<b>\$ 2,719,703</b>	<b>\$ 46,494</b>	<b>\$ 132,520</b>



## OTHER SUPPLEMENTAL INFORMATION

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Local Sources:			
Taxes and Penalties:			
Property tax levy	\$ 479,435	\$ 532,207	\$ 52,772
Other Local Sources:			
Rental of school facilities	-	29	29
Donations	290	960	670
Other local revenue	99,856	109,660	9,804
Income from investments	46,224	47,163	939
<b>TOTAL LOCAL SOURCES</b>	<u>625,805</u>	<u>690,019</u>	<u>64,214</u>
State Sources:			
Unrestricted:			
Proposal A Obligation	-	-	-
Discretionary Payment	3,412,364	3,409,858	(2,506)
Restricted:			
At Risk	110,007	109,094	(913)
Alternative Education	125,320	125,321	1
Adult Education	8,956	8,957	1
Special Education - Head lee	117,164	117,165	1
Bilingual and Compensatory Education	15,971	15,947	(24)
Non-Durant Settlement	10,824	10,825	1
Drivers Education	1,711	1,712	1
<b>TOTAL STATE SOURCES</b>	<u>3,802,317</u>	<u>3,798,879</u>	<u>(3,438)</u>
Federal Sources:			
Restricted:			
Title VII - Indian Education	57,689	56,794	(895)
Public Law 81-874	620,862	620,863	1
Safe & Drug Free Schools	13,821	13,822	1
Restricted - received through the state:			
E.I.C.I.A. Title I	163,611	159,582	(4,029)
E.I.C.I.A. Title V	6,043	5,791	(252)
Drug Free Schools and Communities Grant	36,712	37,288	576
E.I.C.I.A. Title II, Part A	75,063	75,963	900
E.I.C.I.A. Title II, Part D	8,562	8,562	-
Tech Literacy Challenge	2,402	2,402	-
Freedom to Learn	45,000	45,000	-
E.I.C.I.A. Title III, Part A	26,912	26,912	-
Restricted - received through the CCISD:			
<b>TOTAL FEDERAL SOURCES</b>	<u>1,056,677</u>	<u>1,052,979</u>	<u>(3,698)</u>
<b>TOTAL REVENUES</b>	<u>5,484,799</u>	<u>5,541,877</u>	<u>57,078</u>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
<b>Elementary:</b>			
Salaries	\$ 686,755	\$ 702,987	\$ (16,232)
Fringe benefits	370,622	371,044	(422)
Purchased services	41,496	21,874	19,622
Supplies and materials	49,471	40,658	8,813
Capital outlay	8,600	8,288	312
Other expenses	2,336	2,295	41
<b>TOTAL ELEMENTARY</b>	<u>1,159,280</u>	<u>1,147,146</u>	<u>12,134</u>
<b>Secondary:</b>			
Salaries	821,102	838,434	(17,332)
Fringe benefits	423,691	423,745	(54)
Purchased services	13,645	13,273	372
Supplies and materials	69,156	65,972	3,184
Capital outlay	12,000	11,598	402
Other expenses	4,836	4,833	3
<b>TOTAL SECONDARY</b>	<u>1,344,430</u>	<u>1,357,855</u>	<u>(13,425)</u>
<b>Summer School:</b>			
Salaries	10,001	10,734	(733)
Fringe benefits	1,952	2,286	(334)
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL SUMMER SCHOOL</b>	<u>11,953</u>	<u>13,020</u>	<u>(1,067)</u>
<b>Special Education:</b>			
Salaries	218,230	218,227	3
Fringe benefits	96,117	96,108	9
Purchased services	-	-	-
Supplies and materials	8,013	6,259	1,754
Capital outlay	102	475	(373)
Other expenses	-	-	-
<b>TOTAL SPECIAL EDUCATION</b>	<u>322,462</u>	<u>321,069</u>	<u>1,393</u>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Compensatory Education:</b>			
Salaries	\$ 94,508	\$ 94,506	\$ 2
Fringe benefits	94,393	90,393	4,000
Purchased services	60,751	60,499	252
Supplies and materials	5,221	5,219	2
Capital outlay	43,479	43,478	1
Other expenses	611	611	-
<b>TOTAL COMPENSATORY EDUCATION</b>	<u>298,963</u>	<u>294,706</u>	<u>4,257</u>
<b>Alternative Education</b>			
Salaries	7,520	7,520	-
Fringe benefits	1,719	1,710	9
Purchased services	-	-	-
Supplies and materials	144	144	-
Capital outlay	-	-	-
Other expenses	25	25	-
<b>TOTAL ALTERNATIVE EDUCATION</b>	<u>9,408</u>	<u>9,399</u>	<u>9</u>
<b>TOTAL INSTRUCTION</b>	<u>3,146,496</u>	<u>3,143,195</u>	<u>3,301</u>
<b>Supporting Services:</b>			
<b>Pupil Services:</b>			
<b>Truancy/Absenteeism</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	725	715	10
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL TRUANCY/ABSENTEEISM</b>	<u>725</u>	<u>715</u>	<u>10</u>
<b>Guidance:</b>			
Salaries	152,455	150,565	1,890
Fringe benefits	75,722	75,714	8
Purchased services	275	275	-
Supplies and materials	940	934	6
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL GUIDANCE</b>	<u>229,392</u>	<u>227,488</u>	<u>1,904</u>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Health:</b>			
Salaries	\$ 12,947	\$ 12,947	\$ -
Fringe benefits	19,604	19,601	3
Purchased services	964	964	-
Supplies and materials	880	879	1
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL HEALTH</b>	<u>34,395</u>	<u>34,391</u>	<u>4</u>
<b>Home School Coordinator/Social Work:</b>			
Salaries	28,357	30,068	(1,711)
Fringe benefits	27,369	27,368	1
Purchased services	4,890	3,422	1,468
Supplies and materials	-	(1,136)	1,136
Capital outlay	1,127	1,127	-
Other expenses	-	-	-
<b>TOTAL HOME SCHOOL COORDINATOR/SOCIAL WORK</b>	<u>61,743</u>	<u>60,849</u>	<u>894</u>
<b>Other Pupil Service:</b>			
Salaries	10,194	10,193	1
Fringe benefits	2,373	2,369	4
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL OTHER PUPIL SERVICES</b>	<u>12,567</u>	<u>12,562</u>	<u>5</u>
<b>TOTAL PUPIL SERVICES</b>	<u>338,822</u>	<u>336,005</u>	<u>2,817</u>
<b>Instructional Staff:</b>			
<b>Improvement of Instruction:</b>			
Salaries	132	131	1
Fringe benefits	31	29	2
Purchased services	240	239	1
Supplies and materials	331	330	1
Capital outlay	-	-	-
Other expenses	1,333	1,333	-
<b>TOTAL IMPROVEMENT OF INSTRUCTION</b>	<u>2,067</u>	<u>2,062</u>	<u>5</u>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Library:</b>			
Salaries	\$ 61,937	\$ 61,936	\$ 1
Fringe benefits	37,142	37,141	1
Purchased services	3,246	2,852	394
Supplies and materials	7,944	7,681	263
Capital outlay	-	-	-
Other expenses	56	56	-
<b>TOTAL LIBRARY</b>	<b>110,325</b>	<b>109,666</b>	<b>659</b>
<b>Technology Assisted Instruction</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	3,411	3,411	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL TECHNOLOGY ASSISTED INSTRUCTION</b>	<b>3,411</b>	<b>3,411</b>	<b>-</b>
<b>Supervision and Direction of Instructional Staff</b>			
Salaries	56,283	55,509	774
Fringe benefits	18,091	17,841	250
Purchased services	6,212	6,210	2
Supplies and materials	801	799	2
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL SUPERVISION AND DIRECTION OF INSTRUCTIONAL STAFF</b>	<b>81,387</b>	<b>80,359</b>	<b>1,028</b>
<b>TOTAL INSTRUCTIONAL STAFF</b>	<b>197,190</b>	<b>195,498</b>	<b>1,692</b>
<b>Administration:</b>			
<b>Board of Education:</b>			
Salaries	-	-	-
Fringe benefits	18	18	-
Purchased services	24,983	19,989	4,994
Supplies and materials	4,500	3,386	1,114
Capital outlay	-	-	-
Other expenses	6,100	5,709	391
<b>TOTAL BOARD OF EDUCATION</b>	<b>35,601</b>	<b>29,102</b>	<b>6,499</b>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Executive Administration:</b>			
Salaries	\$ 122,440	\$ 122,097	\$ 343
Fringe benefits	47,096	47,095	1
Purchased services	3,100	1,037	2,063
Supplies and materials	4,915	3,420	1,495
Capital outlay	1,870	1,870	-
Other expenses	1,500	1,497	3
<b>TOTAL EXECUTIVE ADMINISTRATION</b>	<u>180,921</u>	<u>177,016</u>	<u>3,905</u>
<b>Offices of Principals:</b>			
Salaries	203,401	200,346	3,055
Fringe benefits	92,598	92,676	(78)
Purchased services	5,702	4,853	849
Supplies and materials	11,345	7,344	4,001
Capital outlay	2,055	2,055	-
Other expenses	3,200	3,087	113
<b>TOTAL OFFICE OF PRINCIPALS</b>	<u>318,301</u>	<u>310,361</u>	<u>7,940</u>
<b>TOTAL ADMINISTRATION</b>	<u>534,823</u>	<u>516,479</u>	<u>18,344</u>
<b>Business Services:</b>			
<b>Fiscal Services:</b>			
Salaries	39,296	39,296	-
Fringe benefits	42,079	42,322	(243)
Purchased services	11,417	10,887	530
Supplies and materials	2,350	1,810	540
Capital outlay	-	-	-
Other expenses	120	120	-
<b>TOTAL FISCAL SERVICES</b>	<u>95,262</u>	<u>94,435</u>	<u>827</u>
<b>Other Business Services:</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	2,842	2,840	2
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL OTHER BUSINESS SERVICES</b>	<u>2,842</u>	<u>2,840</u>	<u>2</u>
<b>TOTAL BUSINESS SERVICES</b>	<u>98,104</u>	<u>97,275</u>	<u>829</u>

**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operation and Maintenance:</b>			
<b>Operating Building Maintenance</b>			
Salaries	\$ 182,417	\$ 180,322	\$ 2,095
Fringe benefits	109,082	109,079	3
Purchased services	116,291	109,494	6,797
Supplies and materials	190,480	178,074	12,406
Capital outlay	119,054	118,951	103
Other expenses	423	402	21
<b>TOTAL OPERATING BUILDING MAINTENANCE</b>	<u>717,747</u>	<u>696,322</u>	<u>21,425</u>
<b>Transportation:</b>			
Salaries	88,400	89,211	(811)
Fringe benefits	76,436	76,435	1
Purchased services	20,630	20,015	615
Supplies and materials	58,500	46,486	12,014
Capital outlay	118,982	118,925	57
Other expenses	593	593	-
<b>TOTAL TRANSPORTATION</b>	<u>363,541</u>	<u>351,665</u>	<u>11,876</u>
<b>Staff/Personnel Services</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	4,500	3,912	588
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL STAFF/PERSONNEL SERVICES</b>	<u>4,500</u>	<u>3,912</u>	<u>588</u>
<b>Central Services</b>			
Salaries	10,112	10,112	-
Fringe benefits	2,271	2,269	2
Purchased services	260	260	-
Supplies and materials	3,232	2,844	388
Capital outlay	-	-	-
Other expenses	44,086	44,075	11
<b>TOTAL CENTRAL SERVICES</b>	<u>59,961</u>	<u>59,560</u>	<u>401</u>
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<u>1,145,749</u>	<u>1,111,459</u>	<u>34,290</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>2,314,688</u>	<u>2,256,716</u>	<u>57,972</u>



**Baraga Area Schools**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Payments to Other Governmental Agencies</b>			
L'Anse Area Schools - Tuition	\$ -	\$ -	\$ -
Community Schools	4,580	-	4,580
Michigan Technology University - Tuition	1,675	1,675	-
Copper Country Intermediate School District	8,000	-	8,000
Arvon Township Schools - Transportation	3,900	3,900	-
<b>TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES</b>	<u>18,155</u>	<u>5,575</u>	<u>12,580</u>
<b>Facilities Acquisition</b>			
Capital Outlay	427,316	425,827	1,489
<b>TOTAL FACILITIES ACQUISITION</b>	<u>427,316</u>	<u>425,827</u>	<u>1,489</u>
<b>TOTAL EXPENDITURES</b>	<u>5,906,655</u>	<u>5,831,313</u>	<u>75,342</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(421,856)</u>	<u>(289,436)</u>	<u>132,420</u>
<b>Other Financing Sources (Uses):</b>			
<b>Transfers Out:</b>			
Lunch Fund	(32,000)	(32,000)	-
Athletic Fund	(106,700)	(106,700)	-
Bookstore Fund	(100)	-	100
<b>TOTAL OTHER FINANCING USES</b>	<u>(138,800)</u>	<u>(138,700)</u>	<u>100</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(560,656)</u>	<u>(428,136)</u>	<u>132,520</u>
Fund Balance, July 1	<u>3,147,839</u>	<u>3,147,839</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 2,587,183</u></u>	<u><u>\$ 2,719,703</u></u>	<u><u>\$ 132,520</u></u>

**Baraga Area Schools**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**

**June 30, 2005**

	Special Revenue	Debt Service	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,629	\$ 2,314	\$ 9,943
Investments	-	1,351	1,351
Accounts receivable	-	-	-
Delinquent Taxes Receivable	-	52,713	52,713
Inventory	2,226	-	2,226
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 9,855</b>	<b>\$ 56,378</b>	<b>\$ 66,233</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	-	14,222	14,222
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>14,222</b>	<b>14,222</b>
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES:</b>			
Reserved for:			
School service activities	9,855	-	9,855
Retirement of debt	-	42,156	42,156
Unreserved	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<b>9,855</b>	<b>42,156</b>	<b>52,011</b>
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,855</b>	<b>\$ 56,378</b>	<b>\$ 66,233</b>
	<hr/>	<hr/>	<hr/>

**Baraga Area Schools**

**Non-Major Governmental Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 391,039	\$ 391,039
School lunch activities	101,054	-	101,054
Athletic activities	16,741	-	16,741
Bookstore activities	254	-	254
Interest	-	1,955	1,955
State aid	9,050	-	9,050
Federal sources	90,832	-	90,832
<b>TOTAL REVENUES</b>	<u>217,931</u>	<u>392,994</u>	<u>610,925</u>
<b>EXPENDITURES:</b>			
School lunch activities	241,793	-	241,793
Athletic activities	125,444	-	125,444
Bookstore activities	429	-	429
Debt service activities			
Principal	-	186,290	186,290
Interest and fees	-	426,364	426,364
<b>TOTAL EXPENDITURES</b>	<u>367,666</u>	<u>612,654</u>	<u>980,320</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(149,735)</u>	<u>(219,660)</u>	<u>(369,395)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of bond	-	195,564	195,564
Transfers in	138,700	-	138,700
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>138,700</u>	<u>195,564</u>	<u>334,264</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(11,035)</u>	<u>(24,096)</u>	<u>(35,131)</u>
Fund Balance, July 1	<u>20,890</u>	<u>66,252</u>	<u>87,142</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 9,855</u></u>	<u><u>\$ 42,156</u></u>	<u><u>\$ 52,011</u></u>

**Baraga Area Schools**  
**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2005**

	School Lunch Fund	Athletic Fund	Bookstore Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,433	\$ 1,811	\$ 2,385	\$ 7,629
Accounts receivable	-	-	-	-
Inventory	1,876	-	350	2,226
<b>TOTAL ASSETS</b>	<b>\$ 5,309</b>	<b>\$ 1,811</b>	<b>\$ 2,735</b>	<b>\$ 9,855</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Reserved for school service activities	5,309	1,811	2,735	9,855
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,309</b>	<b>\$ 1,811</b>	<b>\$ 2,735</b>	<b>\$ 9,855</b>

**Baraga Area Schools**

**Non-Major Special Revenue Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2005**

	School Lunch Fund	Athletic Fund	Bookstore Fund	Total
<b>REVENUES:</b>				
Athletic activities	\$ -	\$ 16,741	\$ -	\$ 16,741
School lunch activities	101,054	-	-	101,054
Bookstore activities	-	-	254	254
State aid	9,050	-	-	9,050
Federal sources	90,832	-	-	90,832
<b>TOTAL REVENUES</b>	<u>200,936</u>	<u>16,741</u>	<u>254</u>	<u>217,931</u>
<b>EXPENDITURES:</b>				
School lunch activities	241,793	-	-	241,793
Athletic activities	-	125,444	-	125,444
Bookstore activities	-	-	429	429
<b>TOTAL EXPENDITURES</b>	<u>241,793</u>	<u>125,444</u>	<u>429</u>	<u>367,666</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(40,857)	(108,703)	(175)	(149,735)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	32,000	106,700	-	138,700
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>32,000</u>	<u>106,700</u>	<u>-</u>	<u>138,700</u>
<b>NET CHANGE IN FUND BALANCE</b>	(8,857)	(2,003)	(175)	(11,035)
Fund Balance, July 1	14,166	3,814	2,910	20,890
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 5,309</u>	<u>\$ 1,811</u>	<u>\$ 2,735</u>	<u>\$ 9,855</u>

**Baraga Area Schools**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
School lunch activities	\$ 96,229	\$ 101,054	\$ 4,825
State aid	5,063	9,050	3,987
Federal sources	95,274	90,832	(4,442)
<b>TOTAL REVENUES</b>	<b>196,566</b>	<b>200,936</b>	<b>4,370</b>
<b>EXPENDITURES:</b>			
School lunch activities:			
Salaries	70,923	71,013	(90)
Fringe benefits	51,837	51,833	4
Purchased services	19,595	19,512	83
Supplies and materials	96,019	96,631	(612)
Capital outlay	2,500	2,500	-
Other expenses	350	304	46
<b>TOTAL EXPENDITURES</b>	<b>241,224</b>	<b>241,793</b>	<b>(569)</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(44,658)</b>	<b>(40,857)</b>	<b>3,801</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	32,000	32,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>32,000</b>	<b>32,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(12,658)</b>	<b>(8,857)</b>	<b>3,801</b>
Fund Balance, July 1	14,166	14,166	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,508</b>	<b>\$ 5,309</b>	<b>\$ 3,801</b>

**Baraga Area Schools**

**Athletic Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Athletic activities	\$ 16,866	\$ 16,741	\$ (125)
<b>TOTAL REVENUES</b>	<u>16,866</u>	<u>16,741</u>	<u>(125)</u>
<b>EXPENDITURES:</b>			
Athletic activities:			
Salaries	45,180	45,179	1
Fringe benefits	6,595	6,594	1
Purchased services	46,487	46,482	5
Supplies and materials	23,024	23,023	1
Capital outlay	251	251	-
Other expenses	<u>1,665</u>	<u>3,915</u>	<u>(2,250)</u>
<b>TOTAL EXPENDITURES</b>	<u>123,202</u>	<u>125,444</u>	<u>(2,242)</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(106,336)	(108,703)	(2,367)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	<u>106,700</u>	<u>106,700</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>106,700</u>	<u>106,700</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	364	(2,003)	(2,367)
Fund Balance, July 1	<u>3,814</u>	<u>3,814</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 4,178</u></u>	<u><u>\$ 1,811</u></u>	<u><u>\$ (2,367)</u></u>

**Baraga Area Schools**

**Bookstore Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Bookstore revenue	\$ 254	\$ 254	\$ -
<b>TOTAL REVENUES</b>	<u>254</u>	<u>254</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Bookstore activities:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	449	429	20
Capital outlay	-	-	-
Other expenses	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>449</u>	<u>429</u>	<u>20</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(195)	(175)	20
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(195)	(175)	20
Fund Balance, July 1	<u>2,910</u>	<u>2,910</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 2,715</u></u>	<u><u>\$ 2,735</u></u>	<u><u>\$ 20</u></u>



**Baraga Area Schools**

**Debt Service Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Taxes and penalties	\$ 351,931	\$ 391,039	\$ 39,108
Interest	2,040	1,955	(85)
<b>TOTAL REVENUES</b>	<u>353,971</u>	<u>392,994</u>	<u>39,023</u>
<b>EXPENDITURES:</b>			
Principal payments	312,366	186,290	126,076
Interest and agent fees	198,702	426,364	(227,662)
<b>TOTAL EXPENDITURES</b>	<u>511,068</u>	<u>612,654</u>	<u>(101,586)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(157,097)</u>	<u>(219,660)</u>	<u>(62,563)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of bond	93,980	195,564	101,584
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>93,980</u>	<u>195,564</u>	<u>101,584</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(63,117)</u>	<u>(24,096)</u>	<u>39,021</u>
Fund Balance, July 1	66,252	66,252	-
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 3,135</u></u>	<u><u>\$ 42,156</u></u>	<u><u>\$ 39,021</u></u>

**Baraga Area Schools**  
**Student Activity Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2005**

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 78,435	\$ 115,665	\$ 107,062	\$ 87,038
<b>TOTAL ASSETS</b>	<u>\$ 78,435</u>	<u>\$ 115,665</u>	<u>\$ 107,062</u>	<u>\$ 87,038</u>
<b>LIABILITIES:</b>				
Due to others	\$ 78,435	\$ 115,665	\$ 107,062	\$ 87,038
<b>TOTAL LIABILITIES</b>	<u>\$ 78,435</u>	<u>\$ 115,665</u>	<u>\$ 107,062</u>	<u>\$ 87,038</u>

## COMPLIANCE SECTION



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE  
WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, MI 49908

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Baraga Area Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other matters

As part of obtaining reasonable assurance about whether the Baraga Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated July 29, 2005.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Baraga Area School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

July 29, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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MILWAUKEE

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

#### Compliance

We have audited the compliance of Baraga Area School's with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Baraga Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Baraga Area Schools' management. Our responsibility is to express an opinion on Baraga Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Baraga Area Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Baraga Area School's compliance with those requirements.

In our opinion, Baraga Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Baraga Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Baraga Area School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

July 29, 2005

Baraga Area Schools  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2005

Federal Grantor/ Pass Through Grantor Program Title/Grant Number	Federal CFDA #	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2005
U.S. Department of Education: Title IX, Indian Education Title IX, Indian Education							
S060A030439	84.060	\$ 54,074	\$ 45,733	\$ (34,271)	\$ 48,345	\$ 14,074	\$ -
S060A030439	84.060	56,446	-	-	8,449	56,446	(47,997)
Subtotal		110,520	45,733	(34,271)	56,794	70,520	(47,997)
P.L. 81-874 Title VIII of ESEA Impact Aid Schools & Roads							
84.041		620,863	552,237	-	620,863	620,863	-
10.665		13,774	17,312	-	13,774	13,774	-
Total Direct Programs		745,157	615,282	(34,271)	691,431	705,157	(47,997)
Passed through CCISD Safe and Drug Free Schools Michigan Rural Systems Initiative							
84.186		1,265	1,265	-	-	-	-
47.076		3,257	3,257	-	-	-	-
Total Passed through CCISD		4,522	4,522	-	-	-	-
Passed through MI Dept. of Ed.: Title I, Part A							
031530-0304	84.010	30,058	30,058	-	-	-	-
041530-0304	84.010	177,498	177,498	93	-	93	-
041530-0405	84.010	3,865	-	-	3,865	3,865	-
051530-0405	84.010	164,099	-	-	155,717	152,391	3,326
Subtotal		375,520	207,556	93	159,582	156,349	3,326
Drug Free Schools & Community National Program							
032600-00500	84.184	45,000	45,000	-	-	-	-
Subtotal		45,000	45,000	-	-	-	-
Title V, Part A - LEA Allocation							
030250-0304	84.298	1,183	1,183	-	-	-	-
040250-0304	84.298	8,298	5,218	-	3,080	3,080	-
050250-0405	84.298	6,164	-	-	2,711	1,532	1,179
Subtotal		15,645	6,401	-	5,791	4,612	1,179
Title II, Part D							
034290-0304	84.318	5,790	5,790	-	-	-	-
044290-0304	84.318	4,392	-	-	4,392	4,392	-
054290-0405	84.318	4,170	-	-	4,170	4,170	-
Subtotal		14,352	5,790	-	8,562	8,562	-
Title III							
030580-0304	84.365	10,410	10,410	-	-	-	-
040580-0304	84.365	14,335	3,144	-	11,276	11,276	-
050580-0405	84.365	15,636	-	-	15,636	15,636	-
Subtotal		40,381	13,554	-	26,912	26,912	-
Title II, Part A:							
030520-0304	84.367	39,643	39,643	-	-	-	-
040520-0304	84.367	4,861	4,861	536	-	536	-
040520-0405	84.367	43,916	-	-	43,916	43,916	-
050520-0405	84.367	47,462	-	-	32,047	31,553	494
Subtotal		135,882	44,504	536	75,963	76,005	494

Baraga Area Schools  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2005

Federal Grantor/ Pass Through Grantor Program Title/Grant Number	Federal CFDA #	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2005
2004-05 Freedom to Learn - Cycle 3							
054280-3	84.367	\$ 45,000	\$ -	\$ -	\$ 45,000	\$ 45,000	\$ -
Subtotal		45,000	-	38,169	45,000	45,000	38,533
2004-05 Freedom to Learn - Cycle 4							
054280-4	84.367	2,402	-	-	2,402	2,402	-
Subtotal		2,402	-	-	2,402	2,402	-
Title IV, Part A - Drug Free Schools & Comm Natl Program							
042600-0CS03	84.184	60,000	-	-	37,288	36,712	576
Subtotal		60,000	-	-	37,288	36,712	576
Total Passed through MDE		734,182	322,805	38,798	361,500	356,554	44,108
Department of Agriculture:							
Nutrition Cluster:							
Natl. School Breakfast Program	10.553	12,696	12,696	-	10,513	10,513	-
National School Lunch Program:							
Section 4	10.555	11,956	11,956	-	10,949	10,949	-
Section 11	10.555	59,289	59,289	-	57,036	57,036	-
Total Nutrition Cluster		83,941	83,941	-	78,498	78,498	-
Entitlement Commodities							
Bonus Commodities							
10.550	10.550	8,740	8,740	-	8,823	8,823	-
Subtotal		567	567	-	259	259	-
		9,307	9,307	-	9,082	9,082	-
Total USDA		93,248	93,248	-	87,580	87,580	-
Total		\$ 1,577,109	\$ 1,035,857	\$ 4,527	\$ 1,140,511	\$ 1,149,291	\$ (3,889)



# BARAGA AREA SCHOOLS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2005

### NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

### NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

### NOTE C – STATE GRANTS:

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2005 and are not included on the Schedule of Federal Awards.

<u>Description</u>	<u>Project Number</u>	<u>State Expenditures</u>
School Breakfast	046320-M-24	\$ 3,253
Drivers Education	046650DRIVERD04	\$ 1,712

### NOTE D – FINAL COST REPORT - FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

### NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per R7120		\$ 440,016
Add – payments not on R7120:		
Direct programs	\$ 691,431	
Pass through CCISD	-	
Bonus and entitlement commodities	<u>9,082</u>	700,513
Minus – state grants on R7120:		
School Breakfast – non-program	(3,253)	
Drivers Education	<u>(1,711)</u>	(4,964)
Adjustments:		
Accrued (deferred) revenue – BOY	(629)	
Accrued (deferred) revenue – EOY	<u>5,575</u>	<u>4,946</u>
<b>Per the Schedule of Expenditures of Federal Awards</b>		<u><u>\$ 1,140,511</u></u>

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**  
**(Continued):**

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

GENERAL FUND:

Total Federal Revenue Sources Reported in the Financial Statements	\$ 1,143,811
Less: Revenue in lieu of taxes (Commercial Forest Reserve)	(48)

SCHOOL LUNCH SPECIAL REVENUE FUND:

Less: State School Breakfast	<u>(3,252)</u>
	<u>\$ 1,140,511</u>

BARAGA AREA SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Baraga Area Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were instances of noncompliance material to the financial statements of Baraga Area Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Baraga Area Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Baraga Area Schools were disclosed during the audit.
7. The programs tested as major programs were:

P.L. 81-874 Title VIII of ESEA Impact Aid	84.041
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8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Baraga Area Schools was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

1. The following noncompliance item was noted:

**05-1 Condition:** The School District was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote R of the financial statements.

**Criteria:** Internal controls should be in place to ensure expenditures do not exceed appropriations.

**Effect:** When expenditures exceed appropriations, the School District is in violation of Public Act 621 and there is a potential negative impact on the financial position.

**Recommendation:** The School District should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

**Management Response:** Management concurs.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

BARAGA AREA SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year June 30, 2004

Reportable Conditions – Financial Statement Audit

None



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE  
WISCONSIN  
GREEN BAY  
MILWAUKEE

***Baraga Area Schools***  
*Report to Management Letter*  
*For the Year Ended June 30, 2005*

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

In planning and performing our audit of the financial statements of the Baraga Area Schools for the year ended June 30, 2005; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could affect the Baraga Area School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

### Instances of Non-Compliance

#### **Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

The Baraga Area Schools was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

\* \* \* \* \*

This report is intended solely for the information and use of the Baraga Area Schools board, management, and other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Baraga Area School's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

July 29, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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July 29, 2005

Board of Education  
Baraga Area Schools  
210 Lyons Street  
Baraga, Michigan 49908

We have audited the financial statements of the Baraga Area Schools for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Baraga Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Baraga Area Schools are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Baraga Area Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except

through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Baraga Area School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Baraga Area Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Baraga Area School's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Baraga Area School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

**Conclusion**

This information is intended solely for the use of the Baraga Area Schools Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants